



DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

50
15 August 1968

State Dept. review completed

SECRET

No. 0235/68
15 August 1968

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Vietnam:

South Vietnam: Light contact and widely scattered incidents were reported throughout South Vietnam on 13-14 August.

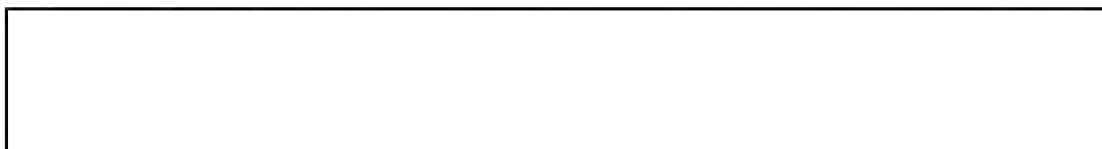
In one of the most significant actions, a Viet Cong company destroyed a bridge along a major highway in Binh Dinh Province. Elsewhere in the country enemy units continue preparations for large-scale attacks which could come at any time.

A captured enemy document dated 2 July states that the "third general offensive" will consist of attacks on "all cities, bases, vital rear installations, communications routes, airfields, seaports, and large South Vietnamese Army elements." Although the exact date for the start of this offensive was not given, the document indicates that the attacks will celebrate Vietnamese Communist holidays on 19 August and 2 September.

* * * *

Three South Vietnamese cabinet members have reportedly expressed concern about what they consider inadequate government preparations to meet the Viet Cong's political challenge in the postwar period.

25X1 Interior Minister Khiem pointed out that the Viet Cong are establishing village administrative councils that would surface after a cease-fire and assume de facto control. All three cabinet members expressed dissatisfaction with the level of effort being expended by President Thieu and Prime Minister Huong to counter this Communist effort and to drum up public support for the government.



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[REDACTED]

North Vietnam: North Vietnam is becoming increasingly dependent upon imported food to offset its own deteriorating rice production.

Imported food from the Soviet Union and Communist China amounted to about 440,000 tons during the first seven months of 1968, compared with about 460,000 tons for all of 1967 and only 80,000 tons for all of 1966. The spring rice crop this year in North Vietnam was below normal and it was harvested a month late, thus delaying the planting and endangering the output of the more important fall rice crop.

Concern over the domestic rice situation was voiced in early August by the party daily, which called for greater efforts to overcome "present shortcomings" and to "solve the food problem in a more steady manner." The party daily pointed to controls over food distribution and the distribution of labor as key problems. Both of these difficulties have plagued Hanoi's planners for several years but it appears that little progress has been made in solving them.

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Communist China: Organizations responsible for important aspects of advanced weapons development, particularly ballistic missiles, continued to be embroiled in factional disputes at least through July.

According to a recently published Red Guard newspaper, Premier Chou En-lai released a statement early in June deploring the fact that production had been severely affected in the 7th Ministry of Machine Building, which is involved in the production of missiles. The premier criticized rival factions in the ministry for refusing to heed orders he had given in January, and again urged them to unite. This new appeal was evidently unsuccessful because the two factions, which have been at odds for nearly two years, continued to engage in a poster war that was visible to foreigners in Peking through at least mid-July.

In a related development, Nieh Jung-chen, probably the top Chinese official concerned with advanced weapons development, has come under increasingly heavy poster attack. One statement, supposedly signed by Mao Tse-tung's niece among others, denounced Nieh for a long list of crimes against Mao and the Cultural Revolution. Politburo member Nieh is chairman of the National Defense Scientific and Technological Commission and a long time subordinate of Premier Chou.

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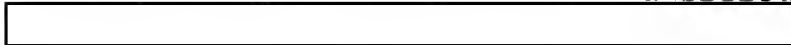
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Communist China - Australia: Peking, apparently concerned about grain prospects, has sought urgent negotiations with Melbourne for wheat.

Australian wheat board members interrupted a Southeast Asian tour to meet a Chinese request for negotiation of a new wheat contract in Peking on 13 August. China probably hopes to conclude a new contract with deliveries to begin by December in order to avoid a break in grain shipments under a one-million-ton contract signed with Australia last February.

Expected crop shortfalls in China this year caused by poor weather and Cultural Revolution disruptions may reverse the decline in wheat imports that has occurred during the past 12 months. Grain imports which had been arranged for this year amounted to some 3.6 million tons, 600,000 tons less than were imported in 1967. Grain negotiations with Canada reportedly will follow shortly after negotiations are completed with Australia. Current Canadian deliveries are scheduled to be fulfilled in October.



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Korea: South Korean troops killed at least three North Korean intruders in four incidents along the Demilitarized Zone on 14 August.

About 30 North Koreans have been killed thus far in August, 13 of them since the 10th. One American and five South Korean soldiers have died in incidents so far this month. Most of the North Korean teams engaged were on reconnaissance missions and were, therefore, vulnerable to ambushes.

The North Koreans almost certainly are concerned about the imbalance in the casualty figures. After nine North Koreans were killed and two captured on 3 and 4 August, North Korean troops attacked a US patrol near Panmunjom and planted anti-tank mines in a road leading to a UN Command guard post. They may again attempt to raise the morale of their infiltrators and reduce the effectiveness of the UN forces by trying to set up more ambushes of US and South Korean units patrolling the southern half of the Demilitarized Zone. They may also attempt to blow up installations and equipment. [REDACTED]

[REDACTED]

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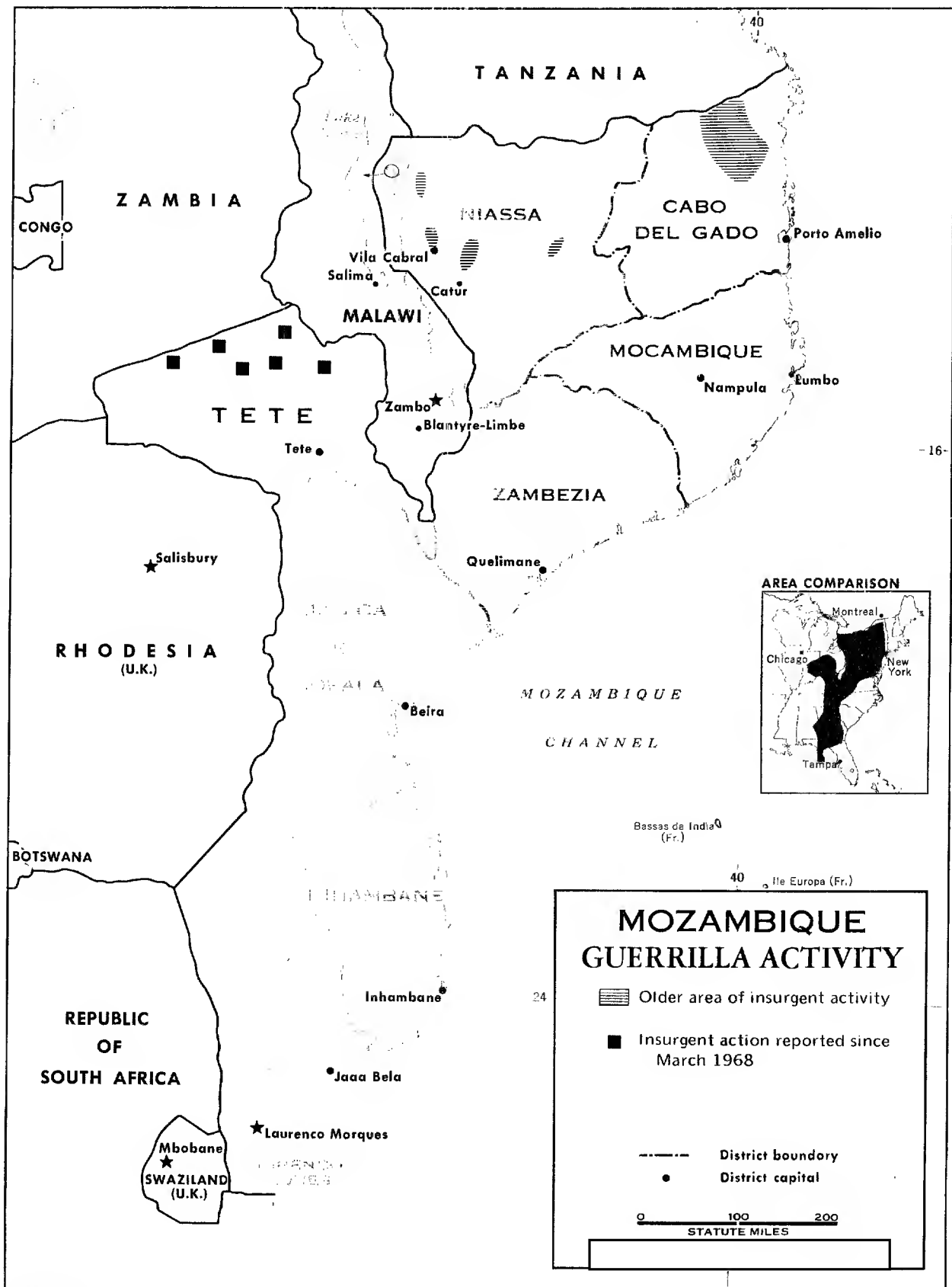
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Mozambique: Mozambique's principal nationalist group, FRELIMO, probably has overcome the most recent political challenge to its leadership and has cleared the way for increased guerrilla pressure against the Portuguese.

Reports on a FRELIMO congress held late last month--apparently within Mozambique--indicate that the FRELIMO executive was easily re-elected, and its relatively moderate president, Eduardo Mondlane, confirmed. Since March, Mondlane had been under fire from FRELIMO "rebels" on ideological, racial, and tribal issues. Support on these issues from anti-Mondlane elements in the Tanzanian Government served to obstruct FRELIMO efforts to quash the discontent. A FRELIMO decision to hold the congress inside Mozambique would have seemed in part designed to ensure a free hand to deal with the dissidents.

FRELIMO probably will now concentrate on guerrilla operations. An upsurge in activity earlier this year was the most substantial of the four-year-old insurgency. The group forced the Portuguese to abandon some of their more isolated military outposts and native fortified villages and began a drive to harass the Portuguese in the northwestern Tete district.

The Organization of African Unity Liberation Committee announced in July it was increasing military aid to FRELIMO. After the congress, Mondlane stated that FRELIMO has decided "to intensify" relations with "socialist countries," and forecast additional assistance from FRELIMO's major military suppliers, the Soviets and Chinese Communists. FRELIMO, however, will still find it hard going to extend the fighting southward into heavily populated areas or to disrupt significant economic activity.

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Dominican Republic: Sporadic violence seems likely in Santo Domingo tomorrow, when a supporter of President Balaguer will be inaugurated as mayor.

The outgoing mayor, a member of the left-of-center Dominican Revolutionary Party, has been padding the payrolls with his supporters and encouraging his party and the extreme left to organize municipal workers in an effort to cause serious problems for his successor. Some Communist hotheads have been talking of launching an "armed uprising" on inauguration day, but anything more than minor violence seems beyond the capability of the factionalized left. Trouble may also come from rightist supporters of exiled General Wessin who hope to initiate disorders that the government will blame on the left.



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Mexico: The government appears willing to allow the students to continue their strike and air their grievances as long as the demonstrations remain peaceful.

Leaflets distributed during the orderly mass march on 13 August claimed that the student strike is spreading rapidly and called for labor support in the form of a 24-hour general strike. The protest is focusing mainly on police brutality, but other issues such as university autonomy, imprisoned students, and better pay for teachers are involved.

The government has refused to grant concessions and has appealed to the public to bring the students into line. Mexico City's Mayor Corona del Rosal, who has been the official spokesman--and who may end up as the official scapegoat--angered students with his charges that the disturbances are actually a premature outburst in a plot to foment trouble between police and students, and with his hints of Cuban involvement. He denied reports that some students were killed and said there was no violation of university autonomy.



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Panama: President-elect Arias intends to sack National Guard Commandant Vallarino as soon as he takes office.

Arias told US Embassy officials that the change in guard leadership will take place when top guard officers submit their pro forma resignations to the incoming president on 1 October. Arias added, however, that he will offer the general some prestigious position abroad--possibly an ambassadorial post.

The decision, which was not unexpected, indicates Arias' growing impatience with what he considers Vallarino's interference in the electoral process. [redacted] the two have had a sharp clash over Arias' determination to dictate the winners of seats in the new National Assembly. Arias' insistence on dominating the legislature has run into stiff opposition from the guard chief, who allegedly wants to control enough deputies to wield the balance of power.

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Vallarino, who appears to have the backing of his officers, has indicated that he expects to continue as head of the guard. If the rift deepens, he may well try to turn the tables and prevent Arias from assuming the presidency. [redacted]

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North Korea: Pyongyang apparently is stepping up its propaganda campaign to put pressure on the US to meet Communist terms for release of the Pueblo crew. A Pyongyang broadcast yesterday reported a press conference in which crew members, including the captain, allegedly repeated earlier statements "confessing" their "guilt" and requesting US concessions to obtain their release. This is the first major North Korean propaganda exploitation of the prisoners since early April, and may have been aimed, in part, at refuting reports that some of the crew were ill or dead.

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Cuba: Fidel Castro has replaced the minister of sugar industries, Orlando Borrego, in an apparent attempt to provide a scapegoat for this year's disappointing sugar harvest. The estimated production of slightly more than five million tons--about a million tons below last year's crop--was a severe setback in the plan to produce ten million tons in 1970. The appointment of Francisco Padron, formerly in charge of the ministry's successful industrial expansion program, indicates, however, that efforts to maximize sugar output will not be abandoned.

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Malaysia: Violence may break out in the Chinese community if the government carries out its plan to execute 11 Chinese convicted of collaboration with the Indonesians during the confrontation period. Two Malays who were to be hanged with the Chinese on 16 August have received stays of execution for a final appeal, and this may sharpen the Chinese community's reaction. The Malaysian Government believes, however, that police vigilance will prevent more than isolated disturbances. [REDACTED]

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Chile: A student attack on Communist headquarters last week has led to recriminations among the Communists, the Socialists, and the extremist Movement of the Revolutionary Left. After Socialist members of Congress denounced the violence, a Socialist youth claimed that the extremist group had led the attack. He added that the Communists were partly to blame for the street fighting that preceded it because Communist students had beaten up Socialists earlier in the week. Although relations between the Socialists and Communists, who cooperate in the Popular Action Front, are strained, this is the most serious incident between them in recent months. [REDACTED]

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Uruguay: Large-scale student demonstrations and strikes accompanied by violence are expected in Montevideo today. Violence has subsided little since 9 August when students began rioting in protest to a government raid on the National University. A youth injured in those riots has died and the Communist Party plans new antigovernment demonstrations to mourn the "student martyr." The security forces are efficient but becoming jaded after long hours of duty and will be hard pressed to control widespread disorders. [REDACTED]

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